CITY OF MOUNTAIN VIEW
MEMORANDUM

DATE: September 18, 2003

TO: City Council

FROM: Timothy Ko, Assistant Public Works Director
Ellis M. Berns, Economic Development Manager

SUBJECT: SEPTEMBER 23, 2003 STUDY SESSION—CALIFORNIA/BRYANT PARKING STRUCTURE

PURPOSE OF STUDY SESSION

The purpose of this study session is to review and to receive input on the following topics related to the new parking structure:

- Priorities regarding building mass, retail space size and number of parking spaces.
- Whether or not to place an emphasis on recruiting a grocery store/drug store to occupy the retail space.
- Recruitment strategy for potential retailers for the space.

BACKGROUND

On June 11, 2002, the City Council authorized staff to proceed with a four-story, five-level aboveground parking structure at the corner of California and Bryant Streets. Three primary goals for the structure were identified: (1) provide ground-floor retail space; (2) design the structure with a commercial/retail appearance at a scale that integrates into the downtown; and (3) create parking in the range of 400 to 500 spaces.

PREDESIGN STUDY

Before beginning schematic design of the parking structure, the architectural team conducted a predesign study to analyze the urban setting around the parking structure as well as the potential operational and physical requirements for the building. The

study analyzed the relationship between the mass, retail space size and layout, and number of possible parking spaces. The study evaluated four different massing concepts (A through D) for the structure, as shown in Attachments 1 through 4, and two ground-floor retail space configurations in Attachments 5 and 6.

These analyses indicated that it will not be possible to meet all the retail and parking objectives in a structure compatible with the downtown environment. As a result, Council must give staff direction regarding project priorities so design can proceed.

Building Mass Evaluation

The building mass evaluation started with a structure occupying the maximum allowable volume on the site (55' across the entire site), progressively reducing the height / mass of the building to be consistent with the adjacent building and more compatible with the surrounding area and concluding with an example of a still smaller building for the site. With each reduction in height / mass, tradeoffs between primary goals were identified.

Building mass Concept A (Attachment 1) shows a structure occupying the entire area and volume of the project site allowed by the Downtown Precise Plan. The edges of the proposed structure are on property lines and rise vertically to the maximum allowable height of 55' to the top level. This building volume dominates its surroundings and does not blend with the adjacent buildings. From this initial review, it became apparent that some tradeoffs would be necessary to best meet the overall project goals.

Building mass Concept B (Attachment 2) reduces the mass and monolithic appearance of the building by setting back the upper level along Bryant Street and at corners to give the appearance of a three-story structure similar to the building next door. The scale is also more compatible with the residential buildings across Bryant Street. Along California Street, a taller facade could be acceptable since the retail storefronts would soften the height.

Building mass Concept C (Attachment 3) is a variation of Concept B and reduces the scale of the building even more by setting back the upper level along California Street in addition to Bryant Street to blend with the three-story building across the alley. Concept C allows more architectural design flexibility and treatment options along California Street but reduces parking by up to 15 spaces. The California Street setback may not be necessary to achieve compatibility. The architectural benefits and tradeoff in lost parking will be further evaluated in the schematic design phase if the City Council prefers Concept B or C.

Building mass Concept D (Attachment 4) is an example of an even smaller building than Concept C that provides only half of the fifth level (top of fourth story) on the alley side. Along the street, the building maintains a continuous three-story facade. While this concept reduces the overall building volume and scale even further, it lacks the setback and changes in the exterior elevation that add architectural interest to the building as shown in Concept B or C. As a result, Concept D is not necessarily a significant improvement over Concept B or C and is difficult to justify due to the substantial loss of parking (up to 35 spaces).

Ground-Floor Retail Space

In 1999, as part of the first phase of the Downtown Precise Plan update, the City completed a downtown market feasibility analysis. This analysis concluded that there are a variety of issues that constrain the downtown from continued revitalization, including diversification of retail; lack of larger retailers, such as a gourmet/specialty grocery store; drug store; or other midsize retailers (10,000 square feet to 20,000 square feet) if the market area was strong enough to support these types of retailers.

In 2001, the City Council adopted a three-phased retail recruitment strategy to attract midsize retailers to the downtown, specifically a grocery and/or drug store. However, as was discussed in the 1999 market feasibility report, it has been difficult to attract this type of midsize retailer because of the lack of larger floor plates in the downtown. To address this constraint, the City Council, in 2002, authorized staff to commence design for the second downtown parking structure and include approximately 20,000 square feet of ground-floor space for retail use.

The predesign study considered two configurations for the retail space. Configuration No. 1 (Attachment 5) provides about 20,000 gross square feet for retail use (15,000 net retail square feet and 4,500 square feet for delivery truck bays and support space) that could accommodate a grocery or drug store. Configuration No. 2 (Attachment 6) reduces the gross area to about 14,000 square feet with about 10,000 square feet of net space for retail use. This smaller configuration could accommodate a drug store but probably is not large enough for a grocery store. This space is easier to divide into smaller retail spaces for several tenants because its depth is shallower and more conventional for retailers.

Market Study

Based on prior retail recruitment strategy, staff initiated a market study to determine the feasibility of a midsize grocery and / or drug store. The market study prepared by MapInfo-Thompson is a tool recognized and used by major grocery / drug store retailers to determine whether or not a grocery / drug store could be supported at a potential

location based on sales projections. The study, plus discussions with real estate brokers, concluded the following regarding a grocery:

- The projected annual sales volume could attract a small independent grocery store but not an upscale gourmet/specialty market. Only a few groceries fall into this category.

- A grocery store on the ground floor of the parking structure appears viable based on the estimated trade area and sales forecast, but it is not certain.

- To accommodate a grocery, the retail space would need to be about 20,000 gross square feet (15,000 net square feet).

- The retail space would need about 30 parking spaces on the ground floor to enhance its visibility and presence. The spaces do not necessarily need to be dedicated for retail use and could be for shared use.

Potential Risk

Although the market study suggests a midsize grocery might be viable, there are risks associated with providing a large retail floor plate in the parking structure on the speculation that a grocery would locate there. The potential risks are:

1. There is a limited number of independent grocery stores that might be interested in the space.

2. Tenant improvements, fixtures and equipment require substantial investment totaling an estimated $2.5 million.

3. Although projected sales volume is within a reasonable range, a grocery would likely require some form of City assistance, either in tenant improvement allowance or rent subsidy, to maintain financial viability.

4. With 20,000 square feet of space for retail on the ground floor, there is not enough room left on the ground floor to provide 30 convenient parking spaces suggested by the grocery consultant. There is space for about 25 parking spaces. This limitation may reduce a grocery operator's interest in the retail space.

5. If there is no demand for the retail space or if the sales projections are off and a grocery operation cannot continue financially, the retail space could be vacant for a

length of time. The space is very large and would be difficult to retrofit into smaller retail tenant spaces.

Operational Concerns with a Large Retail Space

Retail space Configuration No. 1 (20,000 gross square feet) creates an opportunity to attract a retailer, such as a grocery, since there is currently no other large retail floor plate with convenient parking in the downtown for such use. However, providing a large retail space, particularly for a grocery, would make the parking garage less functional and creates operational concerns. The ramp to the second level must clear the retail space and delivery bay in a short distance and, therefore, is too steep for parking on the ramp. The slope of the speed ramp will be approximately 15.5 percent versus a slope of 5.0 percent for a ramp with parking. In addition to traffic serving the existing businesses fronting Castro Street, there would be more congestion and increased pedestrian conflicts in the alley due to more frequent truck deliveries and trucks pulling in and out of the delivery bay. A grocery would generate wet waste from produce, meat and deli food, which must be contained, increasing the challenge to keep the alley clean and inviting to pedestrians. The concerns for a drug store use are similar but to a lesser degree.

Smaller Retail Space Option

As an option, a smaller retail space (Configuration No. 2 with 14,000 gross square feet) could be provided to accommodate a drug store or other midsize retailer(s) with some possibility for a smaller grocery. With a smaller retail space, more parking spaces will fit into the structure, portions of the ramp will accommodate parking and vehicle and pedestrian circulation inside the garage and outside along the alley would be less restricted and, therefore, reduce conflicts. The smaller space would be easier to divide for several tenants if, initially, a single user, such as a drug store, is not available. Although multiple tenants may not be the City's first choice for the retail space in the garage, market conditions may change in the future that would be favorable for a drug store or small grocery to locate there.

Number of Parking Spaces

Any combination of building mass and ground-floor retail space configuration is possible. The combination of these two variables determines the number of parking spaces that could fit in the structure. The stated goal is to create 400 to 500 spaces in the new structure.

Table 1 (Attachment 7) shows the number of parking spaces in the structure for each combination of building mass and retail space size. The number of total parking spaces ranges from a low of 350 for building mass Concept D with large retail space to a high of 450 for building mass Concept A with small retail space. There are currently 104 parking spaces on the surface lot, resulting in a net increase of 246 to 346 spaces, depending on the concept preferred.

For comparison, a parking structure without retail space would have about 445 total spaces with Concept B (Bryant Street setback) and 435 spaces with Concept C (Bryant Street and California Street setback).

PREFERRED OPTION FOR DESIGN

Given the findings of the building mass evaluation, the retail marketing study and functional and operational concerns associated with a large retail space for a grocery, the project design team believes that to best meet the multiple project objectives in a way compatible with the downtown, the parking structure design should follow the guidelines below:

- Size of building similar to building mass Concept B or C.
- Retail space of 14,000 gross square feet (Configuration No. 2).
- Number of parking spaces should be more than 400.

In addition to meeting project objectives, a design following these guidelines would have the flexibility addressing potential environmental quality concerns of the project.

RECRUITMENT STRATEGY FOR RETAIL SPACE

The potential sales survey and staff interviews with industry experts in these areas concluded that the market for a grocery store or drug store in the garage retail space is limited to a specialty grocery store or a chain drug store sized for the space, both with a successful local track record in a comparably sized space. Typically, public agencies often market more conventional properties with a Request for Qualifications and Proposals involving a wide distribution of a formal document to real estate brokers and prospective tenants in the targeted industry. This approach might not be effective in attracting a small grocery or drug store because these types of retailers may lack the time and/or expertise in proposal and presentation skills to compete well.

An alternative "direct contact" approach would be most appropriate in this case where there are very few likely tenants and few real estate brokers specializing in the market niche. The City could utilize a specialized real estate consultant to make contact with targeted tenants and facilitate initial negotiations between the City and the most appropriate prospective tenant. This approach was successfully used to secure the Bean Scene Café for the Center for Performing Arts' café space.

The direct contact approach is recommended for the following reasons:

1. Timeliness—The process is quick and requires limited City resources.

2. Tenant Expectations—The process is streamlined, requiring a less formalized response consisting of a written proposal and presentation.

3. Cost—The fees for a specialist real estate consultant will be less than the combined cost of a broker and a consultant to develop a formal RFQ/RFP.

4. Marketing—A specialist real estate consultant familiar with successful local small grocery stores or drug stores can easily and quickly identify and direct marketing efforts to the most likely candidates.

Market Rent for Retail Space

In evaluating the viability for a grocery store or drug store in the garage retail space, staff also looked at rental rates for downtown retail space. Asking prices for currently available downtown retail space range from $1.85 to $2.75 per square foot per month with an average price of about $2.00 per square foot per month. Current retail market conditions are somewhat weak, so ultimate negotiated rates are expected to be lower than reflected in these numbers. The "fair market rental rate" for a grocery or a drug store in the garage space will be derived from an economic analysis specific to that space and use. It is likely the rate will be less than current downtown retail rents because larger spaces tend to bring less rent per square foot and spaces off Castro Street tend to rent for lower rates. A grocery in new space will require substantial expenditure for tenant improvements, fixtures and equipment. It may be necessary for the City/Revitalization District to assist either through lower rents and/or assistance with tenant improvements, fixtures and equipment. This will not be known until a tenant is identified and terms are negotiated.

Timing

The schedule for the parking structure project calls for completing design and advertising for bids in fall 2004 and commencing construction in early 2005. Completion of the parking structure is anticipated in early 2006. Although recruitment for a prospective tenant and preliminary discussion of potential lease terms could begin, the retail space would not be available until early 2006.

After receiving directions from Council on the preferred option and the project moves to schematic design, staff will have more precise information on the configuration of the retail space and the time line for delivering the space for lease. Formal recruitment could begin in spring 2005.

DOWNTOWN PARKING SUBCOMMITTEE COMMENTS

The Downtown Parking Subcommittee met on Tuesday, September 16, 2003, and discussed the four building massing concepts and parking supply for the parking structure. The Subcommittee's preference was to support a concept that maximized parking. However, the members acknowledged the project objective to create a sufficiently large retail floor plate to attract a grocery / drug store. The Subcommittee endorsed (by 3 to 1) building mass Concept B with 14,000 gross square feet of retail space because it will maximize parking, provide adequate size retail space and reduce the building mass to an appropriate level on this site. Most members acknowledged the necessity for setting back the upper level facing Bryant Street in relation to the residential complex across the street. One Subcommittee member was opposed to the motion and preferred Concept A because it provides the maximum number of parking spaces. There was also some discussion on the retail use generating additional parking demand and resulting in less parking for the general public. Staff indicated all parking spaces are anticipated to be shared spaces and there would not be dedicated spaces for the

retail use, although parking spaces on the ground floor may have a shorter time limit to have more turnovers.

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Attachments:
1. Building Mass Concept A
1A. Building Mass Concept A Photo Perspectives
2. Building Mass Concept B
2A. Building Mass Concept B Photo Perspectives
3. Building Mass Concept C
3A. Building Mass Concept C Photo Perspectives
4. Building Mass Concept D
4A. Building Mass Concept D Photo Perspectives
5. Retail Space Configuration No. 1
6. Retail Space Configuration No. 2
7. Table 1—Building Mass/Retail Space Size/Parking Space Comparison

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